



Aquarion Water Company Seeks Approval to Issue \$60 Million of Unsecured Debt

On June 6, 2012 the Aquarion Water Company filed an application with the Public Utility Regulatory Authority (PURA) for approval to issue \$60 million of unsecured notes. The Company indicated that the proceeds of the issuance would be used as follows:

- (1) \$20 million to refinance an earlier issue which is maturing;
- (2) \$17 million to finance the purchase of the proposed acquisition of United Water Connecticut; and
- (3) \$23 million to finance ongoing capital expenditures.

The Office of Consumer Counsel (OCC) investigated the request and discovered that after the new debt issuance, there would be \$6 million in excess funds. Normally this would have been financed by short-term debt, which is much less costly than long-term debt. Conn. Gen. Stat. § 16-19e(a)(5), states, in part, that public service companies must provide “prudent and efficient management of the franchise operation.” This protection is in place for ratepayers, as they cover the cost of all the expenses of a public service company.

In the OCC Brief, it is recommended that the issue size be reduced to avoid the uneconomic portion of the proposed transaction, and that language be included in the Decision that protects ratepayers should the company enter into an uneconomic transaction. Both recommendations were denied in PURA’s Final Decision.

If Aquarion files a new rate case, the OCC will attempt to protect ratepayers from the uneconomic portion of this financial transaction.